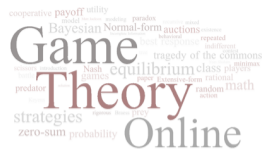


Keynes' Beauty Contest Game



Keynes' Beauty Contest Game

- You hold a stock and the price is rising...
- You believe that the price is too high to be justified by the value of the company.
- You would like to sell it, but would like to wait until the price is almost at its peak.



Keynes' Beauty Contest Game

- You hold a stock and the price is rising...
- You believe that the price is too high to be justified by the value of the company.
- You would like to sell it, but would like to wait until the price is almost at its peak.
- You would like to get out of the market *just before other investors do*.



Keynes' Beauty Contest Game

- You hold a stock and the price is rising...
- You believe that the price is too high to be justified by the value of the company.
- You would like to sell it, but would like to wait until the price is almost at its peak.
- You would like to get out of the market *just before other investors do*.
- How will they act? What should you do in response?



Keynes Beauty Contest Game: The Stylized Version



- Each player names an integer between 1 and 100.
- The player who names the integer closest to two thirds of the *average* integer wins a prize, the other players get nothing.
- Ties are broken uniformly at random.